

REVIEW OF OPERATIONS

HONG KONG TV BROADCASTING

The broadcasting business in Hong Kong continues to be our core business, accounting for approximately 63% of the Group's revenue.

TV ADVERTISING

TVB's revenue decreased 13% year-on-year, dragged down by a slump in retail sales and more advertisers opting for online and social media platforms. The decline, however, was not as steep as that of Hong Kong's total ad market (covering all media vehicles including TV), which dropped an estimated 13% to 18% in 2016.

Hong Kong retail sales fell 8.1% year-on-year and have been in continuous decline for 22 months since March 2015 – both the percentage and length of decline were unprecedented in local retail history. This has severely dampened advertising sales, which was also affected by the rising trend of online and social media advertising. Although it is hard to quantify the latter's exact impact, empirical observation suggests that this trend has partially contributed to falling spending in the categories of skincare, food and dining, banking and financial services as well as other discretionary fast-moving consumer products. As a result of our concerted efforts to improve revenues, the decline in our advertising business was at the low end of market estimates.

During the year, we actively pursued advertising dollars from online service providers, including game developers, travel agents, financial services, and property agents. Despite being online operators, these companies found business value in building their brands via television advertising and sponsorships, attesting to the unrivalled ability of TV in enhancing brand power. Another stand-out category was non-governmental organisations (NGO) and social service providers, which outperformed other rising categories in 2016. These organisations found value in our tailor-made sponsored programmes and event coverage.

A second key revenue-generating initiative was to expand our production services for TV commercials and mini-programmes. This service, combined with affordable entry-level airtime packages, helped satisfy smaller advertisers and the shorter-term needs of bigger advertisers. Production services revenue recorded encouraging growth in 2016.

The Olympic airtime packages also contributed revenue to our multiple channels. To boost advertisers' return on investment, we launched ADFun, an interactive app that allows viewers to act instantly upon watching a particular commercial on TVB channels; they can simply point their mobile phones

at the TV and ADFun will recognise the commercial and direct them to the advertiser's product website or social media account. In time, this functionality will bring more value to TV advertising as advertisers learn to better engage with the audience.

TERRESTRIAL TV CHANNELS

Hong Kong's free-to-air TV market underwent a sea change over the past year with ATV ceasing operation and the emergence of ViuTV (under PCCW Group) in April 2016.

Facing intensifying competition, TVB worked hard to maintain its leading position through a series of strategic moves. In April 2016, myTV SUPER was launched to provide the audience with a brand-new viewing option combining traditional terrestrial TV channels and other on-demand content. In the free TV space, the station continued to broadcast a variety of high-quality self-produced and acquired programmes on Jade, J2, Pearl, and J5 as well as comprehensive news offerings on iNews. The diverse programming boosted the average audience share¹ of TVB's terrestrial TV channels² against the total TV channels in Hong Kong, which include free and pay TV channels, from 82% to 84% during weekday prime time³ in 2016.

Our appointment as Hong Kong's official broadcaster of the Rio 2016 Olympic Games represented another milestone in bringing major sports events to Hong Kong viewers. We were one of the TV stations around the world providing comprehensive coverage of the Games via multiple platforms including free-to-air channels, OTT, pay television, the Internet, and mobile devices. In the lead-up to the quadrennial event, the station produced lead-in programmes including *Countdown To Rio*, *Hong Kong Heroes*, and *Road to Rio* to early engage the audience.

During the 16-day event, 400 hours of live games were telecast on Jade, J5, and Pearl. Six special Olympic channels were added to air more than 2,000 hours of live games; a playback function and "Olympic Zone" were available on myTV SUPER to help audience easier in overcoming time lag and reviewing events of their choice. To help viewers keep up with Hong Kong athletes' performance in the Games, catch up videos covering events that they competed were specially edited into a unit titled "Hong Kong Athletes" in Olympic Zone. TVB also rearranged its prime time programme line-up on Jade and J5 to offer up-to-date game results, the Olympics medal table, and interviews with athletes to the audience. The most popular events included badminton, diving, cycling, and women volleyball, with the gold medal match for Men's Singles Badminton attracting the highest viewership during prime time.



House Of Spirits



Short End Of the Stick



A Fist Within Four Walls

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JADE CHANNEL

Drama

High-quality self-produced dramas remained the flagship channel's prime time key attraction. The top-rated title of 2016 was action drama *A Fist Within Four Walls*, which attained an average consolidated rating⁴ of 30.7 TVRs (a TV rating⁵ of 27.2 TVRs, an online live rating⁶ of 0.3 TVRs, and an online catch-up rating⁷ of 3.2 TVRs). To elevate the action sequences, acclaimed Hollywood martial arts choreographer Philip Kwok Chui was enlisted to serve as action director; the cast also featured action artistes Philip Ng Wan Lung and Yuen Qiu. The drama's tight plot and strong characters appealed to the audience, with main protagonists Ruco Chan Chin Pang, Nancy Wu Ting Yan, Benjamin Yuen Wai Ho, and Grace Wong Kwan Hing scoring four major acting awards in the *TV Awards Presentation 2016*.

Released as a Lunar New Year comedy, period drama *Short End Of the Stick* depicted the lives of four eunuchs played by Wayne Lai Yiu Cheung, Edwin Siu Ching Nam, Power Chan Kwok Pong, Raymond Cho Wing Lim following the fall of the Qing Dynasty. Viewers reacted warmly to the comedic depictions of the characters, which helped Cho clinch the Best Supporting Actor award in 2016.

TVB continued to dedicate tremendous resources on producing dramas in outport destinations, including *Brother's Keeper II*, set in Okinawa and Macau; *Blue Veins*, filmed in the Netherlands; and anniversary drama *Dead Wrong*, shot in Vietnam.

The return of veteran actors to several TVB dramas strengthened the cast in 2016. *Law dis-Order*,

headlined by Dick Liu Kai Chi and Alex Fong Chung Shun, departed from the usual theme of traditional legal dramas, focusing instead on the in-fighting between two attorneys at a prestigious law firm in their pursuit of money and power.

Supernatural family drama *House of Spirits* marked the return of popular actor Bobby Au Yeung Chun Wah in the lead role of Po Foon. Joyce Tang Lai Ming, Jonathan Cheung Wing Hong, and Bob Cheung Yin Pok played the younger siblings of the Po family as they reunited in their ancestral home following their father's death. The cast also included beloved actors Woo Fung and Law Lan playing the family's ghost buddies. The drama garnered positive reviews for its warmth and humour. Another comedy *My Dangerous Mafia Retirement Plan* – featuring veteran actors Kent Cheng Jut Si and Tommy Wong Kwong Leung – was also well-received by the audience.

Breakout performances this year included Vincent Wong Ho Shun and Tracy Chu Tsin Suet, who were highly praised on social media platforms for their roles in innovative action-thriller *Over Run Over*. Viewers were also impressed by Benjamin Yuen Wai Ho's comical portrayal of a traffic policeman in *Speed Of Life*. TVB anniversary drama *Two Steps From Heaven* and suspense drama *Dead Wrong* sparked heated discussions among the audience on online platforms.

The long-running sitcom, *Come Home Love Series*, continued to attract viewers. The third sequel *Come Home Love: Dinner at 8*, featuring the audience's favourite on-screen couple Wayne Lai Yiu Cheung and Teresa Mo Shun Kwan, wrapped up in January 2017. The latest sequel *Come Home Love: Lo and Behold*, with a new cast, began broadcasting in February 2017.

¹ Audience share (%) is the percentage of ratings of particular channel(s) over the total ratings of the base channels for a specific period. The base channels comprise all of the TV channels (Total TV channels) in Hong Kong. Total TV channels include all free TV channels, all pay TV channels, and other TV channels capable of being received in Hong Kong, such as satellite channels.

² TVB's terrestrial TV channels comprise Jade, J2, iNews, Pearl, and J5.

³ Weekday prime time for TVB's terrestrial TV channels runs from 7 p.m. to 12 a.m., Mondays to Fridays.

⁴ Consolidated rating is defined as the summation of TV rating, online live rating, and online catch-up rating.

⁵ TV rating ("TVR") includes "live" viewing from terrestrial TV and "live" & "as live" viewing from myTV SUPER's OTT Box. It represents the size of the audience expressed as a percentage of the total TV population. For 2016, the total

TV population comprised 6,491,000 viewers, and therefore, 1 TVR represented 64,910 viewers (1% of the total TV population). Ratings data source: Nielsen TAM. Since 1 January 2013, Nielsen has been appointed as the accredited ratings measurement service company for the industry.

⁶ Online live rating is defined as an aggregate live rating generated from live channel broadcasts via myTV (web and mobile app platforms) and myTV SUPER mobile app platform. Data are sourced from Nielsen SiteCensus and conversion is based on a TV rating formula supported by a certified document issued by Nielsen dated 24 July 2013. One online live rating also represents 64,910 viewers, same as TV rating.

⁷ Online catch-up rating is defined as an aggregate catch-up rating of myTV (web and mobile app platforms) and myTV SUPER (OTT box and mobile app platforms). Data are sourced from Nielsen SiteCensus and conversion is based on a TV rating formula supported by a certified document issued by Nielsen dated 24 July 2013. One online catch-up rating also represents 64,910 viewers, same as TV rating.

21 TVRs

Total Jade
weekday prime time
(69% of Total TV)

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Non-drama

In addition to traditional non-drama highlights such as food and travel programmes, TVB strived to produce more variety shows and infotainment programmes in 2016. To cater to the needs of our overseas supporters, live shows were broadcast simultaneously in countries sharing similar time zones as Hong Kong and were made available to our European and US audiences through delayed transmission.

Variety shows *My Love*, *myTV SUPER* and *myTV SUPER All Star Summer* were specially prepared to introduce our new OTT platform, *myTV SUPER*, and the local productions and acquired programmes available on it.

This year's *Miss Hong Kong Pageant 2016* and *Mr Hong Kong Contest 2016* – the latter returning after a four-year hiatus – were combined to create a spectacular gala. The event was telecast via Jade and *myTV SUPER*.

Two dedicated zones for the pageants were tailor-made on *myTV SUPER* to let the audience gain a deeper understanding of the contestants. As in previous years, the winners were selected by viewers who cast their votes through our interactive app TVB fun. The same voting method was also used in the annual *TV Awards Presentation 2016*, which was held in December, to increase audience participation.

Two food programmes stood out in the year. Hosts Maria Cordero and Steve Lee Ka Ding dazzled the audience with their superb culinary skills in their respective programmes, *Good Cheap Eats Series* and *The Ahistoric Grandpa Cooking Show*. Viewers were particularly impressed with Lee, who was previously more well-known for his kungfu prowess rather than deep knowledge of traditional Cantonese cuisine.

The production of travel reality show *Peak To Pit* involved extensive preparation and resources but the outcome garnered rave reviews. The programme showcased the breath-taking sceneries of the Himalayas in Nepal and the Dashiwei Tiankeng in

Guangxi, the second-largest sinkhole in the world. The show won Best Special Programme in 2016.

Telecast on weeknights, *Spirits On Vacation* was a travelogue featuring the same cast from comedy *House Of Spirits* on a journey to Taiwan. Viewers took to the fun interaction between the actors portraying the Po family. In the *Kansai Raider* series, host Helen To Yu Fung shared her travel tips for western Japan. The show was so popular that its first series became the top-rated thematic programme for the 22:30 timeslot in 2016 and its sequel, *Kansai Raider (Sr.2)*, was released a few months later to cater to the demands of travel buffs.

Self-produced variety programmes continued to attract eyeballs. *I Heart HK* was a new game show hosted by Eric Tsang Chi Wai, Chin Ka Lok, Jerry Lamb Hiu Fung – the popular trio of *Super Trio Series* fame – and over 10 other artistes. Appealing to the audience's nostalgia for old Hong Kong, popular celebrities appeared on the show as guests representing their own neighbourhoods and battling against each other. The show was the top-rated weekend variety programme and clinched the title of "Best Enrichment Programme" in 2016. *Sunday Stage Fight* kept Jade's audience entertained on Sunday nights by showcasing the superb acting talents of TVB's supporting artistes.

During the year, Jade also produced several well-received programmes with themes focusing on today's children. *5 Kids And A Bloke*, hosted by five child actors who appeared in the award-winning movie *Little Big Master* and Tony Hung Wing Sing, highlighted the importance of caring for the Earth. Infotainment programme *The Treadmill Runner* took a comedic twist of the extremes that Hong Kong's "monster" parents went through to boost their children's competitiveness, shedding light on this heated social topic.





Miss Hong Kong Pageant 2016



TV Awards Presentation 2016



The Ahistoric Grandpa Cooking Show



Buskkkk Music



Pinocchio



Fun Abroad



Thai Rogered

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1.9 TVRs

J2
prime time
(7% of Total TV)



J2 CHANNEL

J2 further consolidated its image as a trendy and innovative channel by offering a variety of entertaining programmes from acquired dramas, travelogues to music shows.

Since October, a new one-hour Korean drama slot has been added at 22:00, allowing fans to catch up with the latest dramas. The long-running talk show, *Big Boys Club*, was rescheduled to the 00:00–00:30 timeslot to cover a broader and more sensitive range of topics.

Viewers continued to tune in to in-house produced travelogues. The second season of *Fun Abroad* invited new rising stars to explore places as diverse as the Maldives, Paris, Tokyo to Siberia, New Zealand, and Mongolia. Inspired by the success of *Jade's World's Great Parties*, which highlighted selected festivals in foreign countries, J2 telecast a re-edited version of one of the episodes, *Tony's Indian Colors*.

J2 continued to produce a series of music programmes to support the local music industry. A brand-new programme *Buskkkkk Music* was introduced to promote Hong Kong's street music culture and let budding musicians perform on a mobile stage vehicle. *Music Café*, another long-running programme, served as a platform for up-and-coming Hong Kong singers to showcase their talents and music.

Japanese and Korean dramas including *Dr. Storks*, *Doctor-X (III)*, *Oh My Venus*, and *Pinocchio* received great reviews from the audience. Korean variety shows *The Law of the Jungle* and *Running Man* as well as Taiwan's variety programme *iWalker-James (III)* also attracted a steady pool of viewers.

Broadcast of Mark Six and Horse Racing Day continued throughout 2016 on J2. One highlight was the 40th Anniversary Snowball Draw on 1 March 2016, which drew a record turnover in Mark Six's history, attained a high rating of 9.8 TVRs.



Big Boys Club

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INEWS CHANNEL AND NEWS PROGRAMMES

iNews remained the most-watched news channel and the audience's go-to place for major news in Hong Kong. The reporting team provided comprehensive on-site coverage of key breaking stories such as the Mong Kok riot during Chinese New Year and the 2016 Hong Kong Legislative Council Election. The most-anticipated international news event of 2016 was the US presidential election. The team closely tracked and quickly reported on election developments, inviting experts to provide in-depth analyses on the results and potential impacts.

1.5 TVRs

iNews
prime time
(5% of Total TV)

Various segments including *News Watch English* and *Medi Info Cancer* were added in between newscasts to provide more information on a wide range of topics. Other regular segments such as *Global View* and *China News Wrap Up* aimed to further enrich our audience's knowledge of local and international issues. Because of overwhelming response from the viewers, *Big Big World (III)* was re-edited into ten 30-minute episodes and telecast on Jade at 22:30 on weekdays in January 2017.

Good Morning Hong Kong has been rescheduled to start half an hour earlier at 6:00 a.m.



TVB Cares



Big Big World (III)



Brexit Polling in London



2016 US Presidential election



Legco Election Forum (NTE)

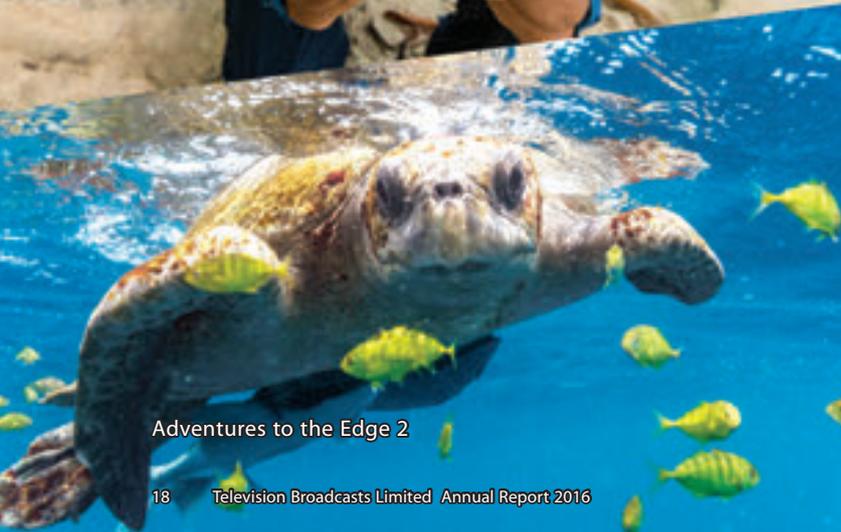


News Watch English

DOLCE VITA



Dolce Vita



Adventures to the Edge 2



The Oscar®
Oscar Statuette: ©A.M.P.A.S.®

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PEARL CHANNEL

First-rate documentaries, movies, dramas, lifestyle programmes, and international events helped cement Pearl's status as an up-market, stylish, and international channel.

The second season of in-house-produced travelogue, *Adventures to the Edge 2*, attained an impressive TV rating that was 50% higher than its first season. Host Sean Lee-Davies continued his journey around the globe to photograph some of the planet's most endangered species and beautiful natural attractions to raise awareness for environmental protection.

In Vino Veritas 3 made a comeback in 2016. Wine critic Jeannie Cho Lee, celebrity chef Nicolas Boutin, and different guests brought the audience to explore the new and old worlds of wine: Chile and France.

Family animation films remained a favourite of the audience and *Frozen* was the top-rated movie of 2016. Coinciding with the release of *Finding Dory* in cinema, *Finding Nemo* was telecast to allow the audience to catch up on the first series of the clownfish adventure tale. Many viewers also tuned in to superhero movies such as *Captain America*, *Spider-Man*, and *Man of Steel*.

1.1 TVRs

Pearl
prime time
(4% of Total TV)

David Attenborough's natural history series were broadcast to critical acclaim, with *The Making of David Attenborough's Conquest of the Skies* emerging as the favourite documentary in 2016. Other popular titles included *Wildest Indochina* and BBC's *Nature's Weirdest Events (IV)* and *Shark Spectacular: Shark Beyond the Bite*.

Popular acquired US drama series *The People v. OJ Simpson: American Crime Story*, *Castle*, and *The X Files* all attained good ratings.

Acquired entertainment and variety shows, such as *America's Funniest Home Videos* and *America's Got Talent/Britain's Got Talent*, were selected to lighten up family times for Pearl fans at weekends.

The channel also provided extensive live telecast of world-class sports events hosted in Hong Kong throughout the year, including *The Masters of Hong Kong 2016*, *Hong Kong Squash Open 2016*, and *Hong Kong Tennis Open 2016*.

As in previous years, *The Oscars*® continued to attract many cinephiles to the annual star-studded gala.

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J5 CHANNEL

HD Jade discontinued its simulcast hours with Jade in early 2016 and was renamed J5, repositioning itself as a financial channel mainly providing knowledge programmes and variety shows.

Programmes prepared by TVB News – including *Economic GPS*, *Road to Wealth*, *Property Market*, and *Property Magazine* – offered up-to-date market information and received great feedback. More informative programmes will be introduced to provide wider coverage on topics such as investment, innovative technology, interior design, and career development.

Launched in November 2016, *Biz Triz* was a self-produced informative programme hosted by renowned veteran market analyst Mr. Chan Wing Luk. Chan interviewed successful entrepreneurs who shared with the audience management strategies and insights about their respective industries including transportation, retail, catering, and Chinese medicine. The show was positively received.

1.0 TVRs

J5
prime time
(4% of Total TV)

J5's late-night programme line-up has been strategically changed to include a drama slot every night to help our busy viewers unwind. Re-runs of TVB classics like *E.U.* and *When Heaven Burns* was shown in the 22:30–23:30 timeslot, and was immediately followed by the popular acquired Mainland dramas, including the *Legend of Mi Yue* and *The Romance of the Condor Heroes*.

Star-studded Chinese variety shows such as *The Brain China (II)*, *Chef Nic (III)*, *China Star, I Am a Singer (IV)*, and *The Amazing Race (II)* were scheduled to strengthen the programme line-up.

To cater to sports lovers, international events such as *Hong Kong Open Badminton Championships 2016*, *FINA World Swimming Championships (25m) 2016*, and *2016 Super Kung Sheung Cup International Basketball Invitation Championship* were telecast live.



Insiders Tips

Innovation GPS

Investment Tips



Nice Wheels



Closer Look at Property



Biz Triz



Chef Nic (III)



The CEO Diner



The Full-Time Wife Escapist
© TBS (Japan)



The Disguiser



Unplanned Trip - Iceland
© CJ E&M CORPORATION



Come Sing with Me

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OTHER TVB-PRODUCED CHANNELS

TVB produced an array of 14 thematic channels for its new OTT platform, myTV SUPER. The channels are Japanese Drama, Korean Drama, Chinese Drama, Asian Select, TVB Classic, Classic Movies, Asian Variety, Food, Sports, Jade Catch Up, Entertainment News, TVBN2, TVB Radio, and Travel.

As the market leader, TVB's drama package offers an excellent variety of high-quality local and foreign dramas. In 2016, its Japanese, Korean and Chinese drama channels broadcasted almost 1,900 hours of premium titles from around Asia. Prominent titles included *Signal*, *The Full-Time Wife Escapist*, and *The Disguiser*. These dramas were scheduled shortly after their local telecast and dubbed in Cantonese to enhance viewers' enjoyment.

The popular TVB Classic Channel offers selections from TVB's massive programme archive. Apart from its famed *Stardust Memories* and *TVB Star Power* packages showcasing the drama collection of renowned artists, classic game show *Movie Buff Championship* has been added to let the audience enjoy TVB's top variety programmes.

During the Rio 2016 Olympic Games in August, Sports delivered round-the-clock coverage of the games

bringing the audience's interest to a fever pitch. Before the opening ceremony, the first rounds of men's and women's football matches were telecast exclusively as a lead-in to the grand event.

Asian Variety and Travel channels showcased acclaimed variety programmes from China and Korea. New live music show *Come Sing with Me* offered the audience an opportunity to perform on stage with their idols including Joey Yung, Coco Lee and David Tao. Korean reality travelogue *Unplanned Trip – Iceland & Africa* featured actors Cho Jung Seok, Kang Ha Neul and Park Bo Gum.

Entertainment News covered the hottest local and international showbiz buzz. To engage the audience in *Miss Hong Kong Pageant 2016* and *Mr Hong Kong Contest 2016*, the channel arranged on-the-spot coverage of the preliminary events to announce the finalists of the contests. Self-produced programme *Sweets Workshop* premiered on the Food channel, featuring renowned pastry chef Jeffery Koo offering lessons on baking a variety of sweets including cupcakes, pies, macarons, and mousse cakes.

TVB Radio was launched in June to add variety to the myTV SUPER bundle. Music lovers can enjoy a wide array of Cantonese and Mandarin pop songs as well as old classics rearranged and covered by up-and-coming singers.



Sweets Workshop